

Memorandum

To: Panel Members

Date: March 27, 2002

From: Charles Rufo, Manager
Peter DeMauro, General Counsel

Analyst: S. Joyce

Subject: One-Step Agreement for **Capax Management and Insurance Services <100**
www.capax.com

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
Training in High Unemployment Areas of California
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Finance and Insurance
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 61
 - In California: 61
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$62,112
- Substantial Contribution: \$0
- Total ETP Funding: \$62,112
- In-Kind Contribution: \$51,511
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Stanislaus
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

New Horizons Computer Learning, Lathrop, California, amount to be determined, Computer Skills training.

Quest Consulting, Pacific Palisades, California, amount to be determined, Customer Service Training and Written Communication Skills training.

Praendex Pacific, Inc., Rocklin, California, amount to be determined, Management Skills training.

THIRD PARTY SERVICES:

None

NARRATIVE:

The California Chamber of Commerce referred this project to the Panel.

Title 22, California Code of Regulations, 4416(a)(3)(4), Out-of-State Competition states, in part, that out-of-state competition exists if the individual function and/or unit of a company provides a service out-of-state or provides a service in the state that is in competition with providers of the same service which are located outside the state. Capax customers are individuals, local Central Valley businesses and businesses across the United States. All of the Capax revenues are subject to competition from outside of California.

Capax Management and Insurance Services was founded in the late 1890s. The company later incorporated and formed the legal entity Giddings, Corby, Hynes, Inc (GCH). That has been the business name for the past 30 years and it is through this entity that Capax holds its insurance licenses. In the late 1980s, GCH Employer Services, Inc., was formed and acquired The Osborne Organization, Pension Division. This entity became the wholly owned subsidiary Capax Pension Services, Inc. In the early 1990s Sacramento Valley Insurance, Inc. joined the company and formed the holding company Capax Management & Insurance Services.

Capax is an insurance brokerage firm, with licenses to do business in all 50 states. The company products are insurance policies, claims service, risk management, pension and other retirement plans as well as pension administration. Capax sells and services all lines of insurance including Property & Casualty for individuals and businesses; Life & Health for individuals and businesses, Pension 401(k) and other retirement plans for individuals and businesses. Capax has 61 full-time employees and is based in Modesto, California.

The insurance industry, like many others, is changing. Many of the large direct writers are domiciled outside of the state and are able to provide 24/7 service through e-commerce and call centers. Capax must compete with these out-of-state companies in terms of cost, product quality, and service delivery.

More recently, the terrorist attacks of September 11th wreaked havoc on the insurance industry with many insurance companies withdrawing from providing property and casualty insurance and/or reinsurance markets, making the task of securing coverage at an affordable price more difficult. Retention of the current client base is the company's primary focus. Employees must be able to anticipate and adapt to these changes and strive for personal improvement through continued education and career development.

NARRATIVE: (continued)

Training will improve the company's competitive position in the marketplace as well as employee job security. It is anticipated that productivity, product quality, and customer satisfaction will benefit. Capax hopes to become a high performance workplace and new processes and skill requirements are being implemented to facilitate this transition. The company's goals are to provide training in the areas of Computer Skills, Business Skills, Continuous Improvement, Commercial Skills and Management Skills.

Supplemental Nature of Training

Past training involving computers or business skills has been sporadic with little monitoring to ensure skills learned were retained. The majority of the existing training is related to the insurance industry; licensing school, continuing education, and classes to ensure license retention. The ETP-funded training is planned to address more customer service, process improvement and sales training. Capax would like to become a "paperless transaction" company by the end of 2002. The computer classes included in the ETP-funded training are focused on that goal.

Capax currently provides the following training as ongoing training:

- Continuing Education (CE) training for all employees that ranges from 15 to 25 hours per year. In-house seminars are arranged to satisfy these requirements for employees during working hours.
- Professional education is required for some positions, normally 13-week courses led by an instructor. This education is funded entirely by the company. Additionally, Capax pays wages to the employees for 50 percent of the time they spend in training.
- On-the-job and orientation training for new hires and/or promotional employees.

The ETP program will allow Capax to train in smaller blocks, consistently, with follow up through the SOST hours and it will allow the company to train more employees facilitating the adoption of new practices and processes.

Capax is committed to training and education. After this contract, Capax will continue to cultivate the seeds it has planted by providing ongoing training, utilizing employees who have developed through this ETP-funded project. In addition to the ETP funding, the company has budgeted \$36,590 for training in 2002.

In-Kind Contribution

Capax estimates employee wages of \$48,000 and fringe benefits of \$3,511 paid during the course of the training to be \$51,511.

Senior Policy Managers/Executive Level

Senior level managers and executive staff are not included in the ETP-funded program and Capax has certified in writing to this fact.

COMMENTS:

Training in High Unemployment Areas of California

Capax Management and Insurance Services is located in Stanislaus County which is recognized as an area of California with a significantly higher unemployment rate than the state as a whole. Based on Employment Development Department (EDD) figures for January 2002, the unemployment rate in Stanislaus County is 12.5 percent, with the statewide rate listed at 6.7 percent. Though located in a high unemployment area, the applicant is not requesting a wage waiver for any retrainees included in this training program.

Request for Waiver to Turnover Rate

In accordance with Title 22, California Code of Regulations, Section 4417(a), Secure Jobs, which states, in part that "The Panel may accept a higher turnover rate if the employer provides evidence that it has experienced a singular reduction in force or other occurrence which adversely affected the turnover rate in the last calendar year...", the Panel has the authority to waive the ETP maximum annual employee turnover rate of 20 percent.

The Capax turnover rate for calendar year 2001 was 23.5 percent. Included in this amount is an anomaly that occurred in May 2001 (i.e., "a singular reduction in force" Section 4417(a)). The reduction of the workforce was a consequence of the resignation of three employees who formed a competing company in Modesto. Without this reduction in force, the turnover rate would have been 19 percent.

Due to the small size of this business which employs only 61 full-time employees, each employee separation equals approximately 1.6 percent of its workforce, a turnover rate restriction should not apply. Therefore, staff recommends that contract language in the ETP Agreement Terms and Conditions (2)(g), not be added to the ETP Agreement with Capax regarding the restriction to earn the final 25 percent progress payment only if the Contractor achieves an average turnover rate of 20 percent or less for the last twelve months of the Agreement.

Full-Time Employment

Two employees of Capax Management and Insurance Services work 25-30 hours per week at their own request due to "purposes of dependent care or a critical situation peculiar to an employee." Both employees receive full health benefits and all privileges associated with full-time employment. Since this request is to accommodate and train those employees, Capax requests that ETP allow full-time retention for those two trainees to be a minimum of 25 hours per week.

Title 22, California Code of Regulations, Section 4400(h) states, in part, that "Full-time employment means employment of at least 35 hours a week, for a period of 90 consecutive days..." The Contractor is requesting a waiver as allowed by Title 22, California Code of Regulations, Section 4400(h)(2), which allows a less than 35-hour work week which has been voluntarily requested by the employee for purposes of dependent care or for other critical situations peculiar to that employee to be considered full-time employment.

PROPOSED ACTION:

Staff recommends that the Panel accept the Contractor's 2001 turnover rate as an anomaly and allow the 25 hour per week for full-time employment for the two trainees in Job Number 1 and approve this One-Step Agreement if funding is available and the project meets Panel's priorities. Capax management states that the training outlined in this proposal will provide employees with the occupational skills needed to increase quality, streamline operating costs, increase sales, and allow the company to succeed in an increasingly competitive marketplace.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
1-4 Retrainees	Business Skills Computer Skills Commercial Skills Continuous Improvement Management Skills	47	40-144	0	2-42	\$800- \$2,976	*\$11.15- \$50.00
						<u>Range of Hourly Wages</u> *\$11.15-\$50.00	
						<u>Prevalent Hourly Wage</u> \$14.00	
						<u>Average Cost per Trainee</u> \$1,322	
<u>Health Benefit used to meet ETP minimum wage:</u> Three employees in Job #1 will receive from \$0.15 to \$1.24 per hour in health benefits to meet the ETP minimum wage of \$11.15 per hour for Stanislaus County, California.					<u>Turnover Rate</u> 23.5%	<u>% of Mgrs & Supervisors to be trained:</u> N/A	

Capax Management and Insurance Services Curriculum

	HOURS	
CLASS/LAB		TRAINER SOST
40 - 144		0 – 42

Trainees will receive any of the following:

COMPUTER SKILLS

MS Word
MS Excel
MS Windows
Web Design
MS PowerPoint

Job 1 & 2	SOST Trainer Activity Plan
	Monitor files management and use of C/S applications
	Monitor and evaluate use of automated spreadsheets
	Provide/critique goal setting steps and techniques
	Monitor trainees in use of department Intranet and company websites

Trainee Competencies: At the completion of training the trainees will use be able to use application software demonstrating skills utilizing appropriate software.

CONTINUOUS IMPROVEMENT SKILLS

Quality Improvement
Process Improvement
Team Building

Job 1 & 2	SOST Trainer Activity Plan
	Assign measurement of a processes for servicing clients
	Assist trainees in using hardware/software for new electronic filing
	Assist trainees in identifying problems or making suggestions for improvements with new processes learned
	Assist trainees in adapting to change

Trainee Competencies: At the completion of training the trainees will be able to utilize new hardware/software to service clients without referring to paper files. Any trainee, regardless of position, will be able to meet a client's needs through standardized use of systems.

Capax Management and Insurance Services

Curriculum

BUSINESS SKILLS

Customer Service
Written Communication
Sales Techniques
Prospecting

Competency: Trainees will be equipped to deliver acceptable levels of customer service through establishing guidelines designed to meet or exceed customers needs. They will have gained skills in effectively handling customer requests via the telephone, and handling customer complaints. Trainees will have improved skills in written communication, including letters, documents, reports and e-mail. Trainees will have acquired new sales techniques required to retain current customers and attract new customers both via the telephone and in face to face contact.

COMMERCIAL SKILLS

Third Party Pension Administration

Competency: Trainees will learn how to determine eligibility for participation in retirement plans, prepare employer contribution calculations, perform ADP Tests/Discrimination Testing for compliance with ERISA, verify vesting and prepare distributions for terminated employees, prepare and submit 5500 forms to IRS/PWBA.

MANAGEMENT SKILLS

Leadership
Motivation and Recruitment